COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

Ex Parte: In the Matter of Establishing Rules and Regulations Pursuant to the Virginia Electric Utility Restructuring Act for Consolidated Billing Services

CASE NO. PUE-2001-00297

STAFF REPORT

May 24, 2002

Introduction

On May 15, 2001, the State Corporation Commission ("the Commission") docketed the matter of establishing rules for consolidated billing services pursuant to § 56-581.1 D of the Code of Virginia, assigning Case No. PUE-2001-00297. In its Order Establishing Proceedings, the Commission directed the Staff to conduct an investigation with assistance from a work group of interested parties and to file proposed rules for consolidated billing services by licensed suppliers on or before February 14, 2002. Subsequently, the Commission granted a Staff motion to delay the filing of such proposed rules until May 24, 2002. This report presents the Staff's proposed rules and recommendations on related implementation matters.

Background

Section 56-581.1 of the Code of Virginia authorizes and establishes effective dates for competitive retail electric billing and metering services, and directs the Commission to promulgate rules and regulations to implement and govern the provision of such services. Effective January 1, 2002, licensed suppliers ("competitive service providers" or "CSPs") are authorized to bill retail customers separately for services rendered, and local distribution companies ("LDCs") are directed to offer consolidated billing services. Additionally, effective January 1, 2003, CSPs also are authorized to offer consolidated billing services to retail customers.

In Case No. PUE-2001-00013, the Commission adopted Rules Governing Retail Access To Competitive Energy Services ("Retail Access Rules"), which became effective August 1, 2001, and are applicable to the implementation of full or phased-in retail access to competitive energy services in the service territory of each local distribution company. Such rules include section 20 VAC 5-312-90, Billing and payment, applicable to the provision of separate billing services and LDC consolidated billing services. In this proceeding, the Staff, after consideration of information obtained during the work group process, proposes amending that section of the Retail Access Rules to incorporate rules applicable to CSP consolidated billing.

Work Group

Pursuant to the Commission's procedural Order, the Staff convened a work group and hosted 17 meetings between October 2, 2001, and April 24, 2002. The majority of attendees at work group meetings were representatives of incumbent utilities. A representative from the Office of the Attorney General attended most meetings. Representatives of Dominion Retail, the Virginia Municipal League ("VML"), and the Virginia Association of Counties ("VACO") attended several meetings. AES NewEnergy, while not attending most meetings, provided informal comments to the Staff. Finally, a representative of The New Power Company, a strong advocate of CSP consolidated billing, actively participated in most of the earlier meetings, but due to business demands in other states, was unable to attend the later meetings. The New Power Company also coordinated a conference call between the Staff and company billing personnel directly involved in the Texas retail market.

At the initial work group meeting, a subgroup, chaired by the representative of The New Power Company, was established to identify key issues and develop a "strawman" rules document. The subgroup developed an extensive issues list, but was unable to develop a strawman in the allotted time.

Review and discussion of the issues list highlighted the complexity surrounding the development and standardization of business practices for CSP consolidated billing. Under this billing protocol, the CSP controls the issuance of the bill and the processing of customer payments, while the LDC controls service disconnection activities for customer non-payment of its regulated charges. This separation of responsibilities presents increased opportunities for confusion that, if not adequately addressed, could result in unwarranted credit action against retail consumers, thereby impacting general public perception of competitive restructuring in the Commonwealth. Central to this concern are issues such as the communication and tracking of LDC account arrearages, communication of LDC customer payment arrangements to the CSP and treatment of such arrangements with respect to application of the payment hierarchy, and the timeliness of customer payment processing and notification.

Ultimately, these issues must be directly addressed by the establishment of standardized business practices, including the timing and make-up of transactional data electronically exchanged between the LDC and the CSP, as well as rigorous system testing requirements. The process of establishing standardized business practices and developing Electronic Data Interchange ("EDI") transactions is normally coordinated by the Virginia Electronic Data Transfer Working Group ("VAEDT") following the adoption of rules by the Commission. However, given the potential impact of these complex issues, the Staff believed a closer examination of such issues was necessary in the rule development process in order to gauge the reasonableness and adequacy of the proposed rules. Accordingly, much of the discussion at the work group meetings was focused on the implications of these credit and collection issues under various billing and payment scenarios.

The Staff believes that the extra time required for such review was especially appropriate given the limited experience with CSP consolidated billing nationally. The work group is aware of only two states with significant large-scale CSP consolidated billing activity – Georgia, with natural gas retail access, and Texas, with electric retail access.[1] In each of these states, retail access operates under a single-retailer business model, which utilizes a billing process that is comparable to a "Purchase Receivables" consolidated billing model.[2] In contrast, in its Recommendation and Draft Plan filed with the Legislative Transition Task Force on December 12, 2000, the Commission stated it did not anticipate requiring LDCs and CSPs to purchase the non-billing party's accounts receivable in conjunction with consolidated billing. Accordingly, LDC consolidated billing in

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[1] It should be noted that both Georgia and Texas encountered significant customer billing delays during the implementation of CSP consolidated billing. These experiences re-emphasize the importance of having well-defined, standardized business practices and data exchange protocols and of ensuring the rigorous and complete testing of systems prior to large-scale implementation.

Virginia was implemented under a "Pay-As-You-Go" model,[3] and the Staff's proposed rules assumes the same model for CSP consolidated billing.

It should be noted that the "Purchase Receivables" model could resolve many of the previously identified issues arising from two separate retail entities attempting to coordinate credit and collection activities through a consolidated billing process. At the same time, however, such a model exposes the billing party to a greater financial risk associated with customer non-payment of bills. Based on discussion within the work group, the Staff's understanding is that unless the billing party is allowed to initiate service disconnection for non-payment of both billing party and non-billing party charges, neither LDCs nor CSPs, in the role of the billing party, would prefer a "Purchase Receivables" model. Allowing service disconnection for nonpayment of competitive service charges would be a significant policy change in Virginia and would deserve significant examination prior to implementation. The Staff does not recommend pursuing a change in consolidated billing models at the current time. However, it should be recognized that competitive retail energy markets across the country are in the early stages of development. Should most of these markets move toward a "Purchase Receivables" model as they mature, this issue should be reconsidered in Virginia.

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[2] Under a "Purchase Receivables" consolidated billing model, the billing party is responsible for paying the charges of the non-billing party regardless of whether the retail customer pays the billing party for such charges.

[3] Under a "Pay-As-You-Go" consolidated billing model, the billing party remits payment to the non-billing party only after receiving such payment from the retail customer.

During the latter stages of the work group meetings, representatives of the LDCs formed a subgroup and presented a CSP consolidated billing implementation plan to the full work group. This proposal will be discussed in a following section of this report.

Proposed Rules

Based on information obtained through the work group process, the Staff concludes that, with a few notable exceptions, the most appropriate approach for establishing rules in the current proceeding is to make the existing LDC consolidated billing rules reciprocal in applicability to CSP consolidated billing. Several representatives of LDCs expressed the opinion that the CSP consolidated billing rules should be housed in a separate section or subsection of the Retail Access Rules. The Staff's understanding is that these work group participants believe that incorporating reciprocal requirements applicable to both LDC and CSP consolidated billing into the existing rule provisions results in confusion. The Staff believes that establishing a separate rule section or subsection would result in significant and unnecessary redundancy since many of the rules should and do logically apply to both LDC and CSP consolidated billing, and separate billing for that matter. Accordingly, the Staff proposes amending 20 VAC 5-312-90 as shown in Attachment A. Amending language is highlighted with a strike-through of proposed deletions and underlined proposed additions. Specifically, the Staff proposes amendments to the following provisions:

20 VAC 5-312-90 A is amended to acknowledge the authorization of CSP consolidated billing. Additional amendments require CSPs to: 1) provide the LDC and the Staff written notice at least 30 days in advance of its initial offering of CSP consolidated billing service in the service territory of each local distribution company to retail customers, and 2) establish adequate financial security for its estimated liability associated with the collection and remittance of state, local, and special regulatory consumption taxes.[4] The requirement of advance notice and accompanying information is intended to provide the Staff an opportunity to review updated information from the CSP's original application or last update, including a creditworthiness review to determine if additional financial security is warranted relative to the CSP's obligation to collect and remit state, local, and special regulatory consumption taxes. Equally important, this advance notice would allow the Staff a final opportunity to assess the readiness level of the CSP through: 1) verification of EDI testing certification with each LDC, 2) review of any updated information relative to the CSP's billing qualifications, and 3) confirmation of the CSP's awareness of its state and local tax collection and remittance obligations.

20 VAC 5-312-90 C is amended to make the provisions applicable to both LDC and CSP consolidated billing, as appropriate, and to require that CSP consolidated

[4] The Staff notes that the representative of VML and VACO urged consideration of the estimated liability for local consumption taxes in assessing the creditworthiness and establishing security requirements for CSPs. The Staff was also informed that local officials may provide additional comments on the Staff proposed rules relative to the CSPs responsibility for collecting and remitting local consumption taxes and consumer utility taxes.

billing accommodate the LDC's normal billing and credit cycle requirements for distribution service. In short, the CSP would not be able to alter the LDC's payment due date for distribution charges, which is driven by the LDC's meter reading and billing cycle. For example, if a CSP wishes to extend the due date of the consolidated bill to accommodate a retail customer's needs, the CSP would need to pay the distribution charges to the LDC on behalf of the customer or the customer would have to make payment arrangements with the LDC directly. Otherwise, the customer would be subject to credit action by the LDC.

20 VAC 5-312-90 G is amended to require LDCs to issue separate notices of pending disconnection action directly to retail customers that receive CSP consolidated bills and to instruct such customers to pay the noticed arrearage directly to the LDC. The Staff believes this provision is essential to mitigate the opportunity for unwarranted service disconnection due to potential confusion between the LDC and CSP caused by miscommunications, system malfunctions, or payment processing delays.

20 VAC 5-312-90 H is amended to maintain the same payment hierarchy for application of partial payments for CSP consolidated billing as currently exists for LDC consolidated billing. This provision is further amended to specify the remittance requirements for CSPs and LDCs that are responsible for collecting state, local, and special regulatory consumption taxes and local consumer utility taxes.

20 VAC 5-312-90 I is amended to require that all consolidated bills provide the customer's LDC account number. Work group participants representing the LDCs advise the Staff that the availability of the account number is important to expedite LDC response to both emergency and customer service calls. Additional minor terminology modifications related to bill information requirements are proposed to provide consistency with 20 VAC 5-312-90 L and to allow adequate flexibility to accommodate non-standard billing scenarios.

20 VAC 5-312-90 L is amended to require reciprocal minimum bill space allowance for the non-billing party relative to CSP and LDC consolidated billing. Conectiv, which provides the non-billing party with a space allowance of 25 numeric and text lines on its consolidated bill, argues that CSPs should offer reciprocal space allowance to an LDC based on the LDC's actual space allowance on its consolidated bill rather than on the required space allowance of the existing rule. Conectiv further argues that under the proposed rule, for its larger customers, it will not be able to provide the same information on CSP consolidated bills that it normally provides to such customers on its own bills. However, it is the Staff's understanding that, under the proposed rule, Conectiv would be able to comply with the bill information requirements specified by the other Retail Access Rules. Further, if a customer wants more information on distribution charges than the LDC can provide on a CSP consolidated bill, the customer may choose an alternative billing option. If this situation becomes a common occurrence, the Staff believes that CSPs will respond on their own to meet customers' needs, irrespective of minimum rule requirements. The Staff believes a reciprocal required minimum space allowance for the non-billing party on CSP and LDC consolidated bills will be perceived as the fairest resolution of this issue.

20 VAC 5-312-90 M is amended to clarify that the requirement for the LDC to track and bill former supplier arrearages only applies if the LDC was providing consolidated billing prior to the customer switching, and if after such switch, the customer continues to receive either a consolidated or separate bill from the LDC. Dominion Retail argues that if a customer is receiving LDC consolidated billing and switches to a supplier providing CSP consolidated billing, the LDC should continue to track the former CSP's arrearage and to pass such charges along with its own distribution charges to the new CSP for inclusion on the consolidated bill. While such a requirement would tend to minimize the collection cost of CSPs that prefer to rely on LDC consolidated billing, the Staff has difficulty proposing that a CSP providing consolidated billing should be required to include the charges of a former CSP on its bill.

20 VAC 5-312-90 N, 20 VAC 5-312-90 O, and 20 VAC 5-312-90 P are amended to place reciprocal requirements on the billing party under LDC and CSP consolidated billing relative to corrective actions for the exclusion of the non-billing party's charges from the consolidated bill.

LDC Consolidated Billing Plan

As mentioned previously, during the later stages of the work group meetings, representatives of the five electric investor-owned LDCs developed and submitted an interim CSP consolidated billing implementation plan providing for certain EDI transaction workarounds on a utility-by-utility basis.[5] The plan, included as Attachment B to this report, is offered by the LDCs as a cost-justified alternative, recognizing the current state of retail access markets, to proceeding with full EDI development and the associated LDC billing system modifications. The plan indicates that interested parties may request at any time that the work group be reconvened to revisit the establishment of full EDI development at the point such effort would become cost justified.

The LDCs estimate that implementing CSP consolidated billing with full EDI development would cost approximately $12.6 million in total for the investor-owned LDCs, with estimates of individual LDCs ranging from $1.75 million to $4.0 million. By comparison, implementation of the LDC alternative is estimated to cost $1.31 million in total, with estimates for the individual LDCs ranging from $160,000 to $600,000.

The LDCs argue that generally there has been limited CSP participation in Virginia as well as in several other states that have attempted to promulgate rules and implement CSP consolidated billing, including Pennsylvania and Maryland. The lack of active CSP participation makes it difficult to develop effective standardized business practices and EDI protocols.

[5] AEP-VA supports the LDC Plan; however, AEP-VA currently supports CSP consolidated billing in other jurisdictions, such as Texas, and currently plans to develop full EDI implementation which will have applicability to Virginia, as well as other state jurisdictions.

The Staff distributed the LDC plan to all registrants of the work group, included as Attachment C to this report, and invited informal comments. Three parties, Dominion Retail, AES NewEnergy, and The New Power Company responded. While taking exception to certain aspects of the LDC plan, each of these parties supported the basic premise of the LDC plan that, given current market development, it would not be cost-effective to proceed with full EDI development for implementation of CSP consolidated billing at the current time. No party has objected to the basic interim EDI workaround approach. However, The New Power Company suggests that work continue, albeit at a slower pace and with increased use of e-mails and conference calls, in resolving CSP consolidated billing issues. AES NewEnergy and Dominion Retail both express concerns about expending significant efforts and resources on development efforts to support CSP consolidated billing when there appears to be limited CSP interest at the current time. It is also noted that by proceeding without active CSP involvement at the current time, significant rework and additional cost may be required for any necessary modifications when CSP interest in offering consolidated billing increases.

The Staff notes that the EDI workaround approach appears to require a manual process for CSPs preparing consolidated bills in that the LDC charges would be sent via mechanisms that would limit automated processing capability. Consequently, the Staff believes that the practical application of CSP consolidated billing under the workaround approach would be limited to a relative small number of customers and would not be practical for a mass marketer serving many customers. Despite this apparent limitation, the Staff generally supports an EDI workaround implementation of CSP consolidated billing at the current time due to the current state of market development, the limited CSP interest at the current time, and the difficulty of developing standardized business practices and EDI protocols without significant CSP involvement, which creates the potential for significant rework and cost in the future.[6] At the same time, the Staff would emphasize that any interested party should be able to approach the Staff or the Commission at any time and request reconvening the work group to revisit full EDI implementation. Additionally, the Staff would anticipate that the commitment of appropriate business and technical resources of one or more CSPs to actively participate in the VAEDT's development of standardized business practices and EDI protocols would support moving forward with full system development. Accordingly, the Staff recommends proceeding with an EDI workaround implementation approach at the current time, but without predetermined restraints for moving forward with full EDI development in the future.

The Staff believes that the other aspects of the LDC plan do not need to be addressed by the Commission at the current time. Specifically, the Staff believes it is premature to adjudicate cost recovery issues without knowing the specific

[6] Based on discussions with regulatory staff in other states, the Staff understands that full EDI implementation of CSP consolidated billing has been delayed for similar reasons in Ohio, New Jersey, Delaware, Maryland, and Washington D.C.

justification for such a request; however, the Staff would hope that the relatively modest cost of the EDI workaround approach could be sufficiently recovered under capped rates.

Irrespective of whether the Commission accepts an EDI workaround approach or directs full EDI development, the Staff believes its proposed rules are appropriate and should be adopted by the Commission. Additionally, it should be noted that the Staff will continue to work with the consolidated billing work group and the VAEDT to resolve additional implementation issues under either scenario. Further, the Staff agrees with The New Power Company that even if the Commission accepts the EDI workaround approach, work should continue, perhaps at a slower pace, in addressing standardized business practice and EDI protocol issues associated with CSP consolidated billing.

Recommendations

The Staff recommends that the Commission adopt the amendments to the Retail Access Rules for CSP consolidated billing as proposed by the Staff. Additionally, the Staff recommends that the Commission accept an interim EDI workaround implementation approach for CSP consolidated billing.

STATE CORPORATION COMMISSION
Division of Energy Regulation
Proposed Rules of May 24, 2002

CHAPTER 312.

RULES GOVERNING RETAIL ACCESS

TO COMPETITIVE ENERGY SERVICES.

20 VAC 5-312-90. Billing and payment.

A. A competitive service provider shall offer separate billing service or consolidated billing service ~~by~~, where either the local distribution company~~, or both~~ or the competitive service provider would be the billing party, to prospective customers pursuant to § 56-581.1 of the Code of Virginia and the local distribution company’s tariff approved by the State Corporation Commission. Where a competitive service provider would be the billing party, prior to an initial offering of consolidated billing service to customers within the service territory of each local distribution company, and after certification as required by 20 VAC 5-312-20 L, the competitive service provider shall abide by the following requirements:

1. The competitive service provider shall provide written notice, at least 30 days in advance, to the local distribution company and to the State Corporation Commission’s Division of Energy Regulation and Division of Economics and Finance. The written notification to the Division of Energy Regulation and the Division of Economics and Finance shall include:

a. The anticipated date of the initial consolidated billing service offering in each local distribution company service territory in which the service will be offered.

b. Any changes in information provided by the competitive service provider in its original license application pursuant to 20 VAC 5-312-40 A that have not been reported to the State Corporation Commission pursuant to 20 VAC 5-312-20 Q and 20 VAC 5-312-20 R.

c. The expected maximum market penetration for the provision of consolidated billing service to electricity customers during the following 12 months, including the estimated number of customers and associated annual consumption by customer type or load profile classification.

d. A representation that the electric competitive service provider has undertaken the necessary preliminary coordination efforts with tax officials of each potentially affected locality regarding the competitive service provider's obligation to collect and remit local consumption taxes and local utility consumer taxes.

2. The competitive service provider shall establish such financial security as the State Corporation Commission may require for such competitive service provider's estimated liability associated with the collection and remittance of state, local, and special regulatory consumption taxes.

B. A competitive service provider shall coordinate the provision of the customer-selected billing service with the local distribution company by any means specified by

VAEDT or as otherwise provided by the local distribution company's tariff approved by the State Corporation Commission.

C. Consolidated billing~~ by the local distribution company~~, except as otherwise arranged through contractual agreement between the local distribution company and a competitive service provider or as otherwise provided by the local distribution company's tariff approved by the State Corporation Commission, shall:

1. Be performed under a "bill-ready" protocol.

2. Not require the ~~local distribution company~~ billing party to purchase the accounts receivable of the ~~competitive service provider~~ nonbilling party.

3. Not require the electric local distribution company to include natural gas competitive energy service charges on a consolidated bill or the natural gas local distribution company to include electric competitive energy service charges on a consolidated bill.

4. Not require the local distribution company to ~~receive the transmittal of~~ exchange billing information for ~~one~~ any customer account ~~from~~ with more than one competitive service provider for the same billing period.

5. Accommodate the local distribution company's normal billing and credit cycle requirements for distribution service.

D. In the event a competitive service provider collects security deposits or prepayments, such funds shall be held in escrow by a third party in Virginia, and the competitive service provider shall provide to the State Corporation Commission the name and address of the entity holding such deposits or prepayments.

E. A competitive service provider requiring a deposit or prepayment from a customer shall limit the amount of the deposit or prepayment to the equivalent of a customer's estimated liability for no more than three months' usage of services from the competitive service provider by that customer.

F. Customer deposits held or collected by a local distribution company shall be for only those services provided by the local distribution company. Any deposit held in excess of this amount shall be promptly credited or refunded to the customer. The local distribution company may, upon a customer's return to regulated electricity supply service or natural gas supply service, collect that portion of a customer deposit as permitted by the local distribution company's tariffs and 20 VAC 5-10-20.

G. Terms and conditions concerning customer disconnection for nonpayment of regulated service charges shall be set forth in each local distribution company’s tariff approved by the State Corporation Commission. A customer may not be disconnected for nonpayment of unregulated service charges. <u>If a customer receives consolidated billing service and a competitive service provider is the billing party, the local distribution company shall advise the customer directly of any pending disconnection action for nonpayment through 10 days’ notice by mail, separate from the consolidated bill. Such notice shall clearly identify the amount that must be paid and the date by which such amount must be received by, and also provide instructions for direct payment to, the local distribution company to avoid disconnection.</u>

H. <u>The provision of consolidated billing service shall conform to the following requirements</u>:

1. The ~~local distribution company~~ billing party shall apply a customer's partial payment of a consolidated bill as designated by the customer, or, in the absence of a customer's designation, to charges in the following order: (i) to regulated service arrearages owed the local distribution company; (ii) to competitive energy service arrearages owed the competitive service provider; (iii) to regulated service current charges of the local distribution company; (iv) to competitive energy service current charges of the competitive service provider; and (v) to other charges.

2. Collections of state and local consumption taxes and local utility consumer taxes shall be remitted as required by law. The person responsible for collecting and remitting such taxes shall:

a. Submit simultaneously, on or before the last day of the succeeding month of collection to the State Corporation Commission's Division of Public Service Taxation, the payment of the preceding month's state and special regulatory consumption taxes and associated Electric Utility or Natural Gas Consumption Tax Monthly Report.

b. Submit simultaneously, on or before the last day of the succeeding month of collection to each local government in whose jurisdiction the taxes have been collected, the payment of the preceding month's local consumption taxes and local utility consumer taxes and associated monthly reports.

I. The local distribution company and a competitive service provider shall comply with the following minimum billing information standards applicable to all customer bills:

1. Sufficient information shall be provided or referenced on the bill so that a customer can understand and calculate the billing charges.

2. Charges for regulated services and unregulated services shall be clearly distinguished.

3. Standard terminology shall be employed and charges shall be categorized for the following key bill components, as applicable: (i) distribution service; (ii) competitive transition charge; (iii) electricity supply service or natural gas supply service; (iv) state and local consumption tax; and (v) local (or locality name) utility tax. The bill may provide further detail of each of these key components as appropriate.

4. Nonroutine charges and fees shall be itemized including late payment charges and deposit collections.

5. The total bill amount due and date by which payment must be received to avoid late payment charges shall be clearly identified.

6. The 24-hour toll-free telephone number of the local distribution company for service emergencies shall be clearly identified.

7. In the event a disconnection notice for nonpayment is included on a customer bill, the notice shall appear on the first page of the bill and be emphasized in a manner that draws immediate attention to such notice. The notice shall clearly identify the amount that must be paid and the date by which such amount must be paid to avoid disconnection.

8. The following additional information shall be provided on customer bills to the extent applicable:

a. Customer name, service address, billing address, account number, rate schedule identifier, and meter identification number.

b. Billing party name, payment address, and toll-free telephone number for customer inquiries and complaints.

c. For consolidated bills, nonbilling party name and toll-free telephone number for customer inquiries and complaints and the customer's local distribution company account number.

d. Bill issue date and notice of change in rates.

e. Previous and current meter readings and dates of such meter readings or metering period days, current period energy consumption, meter reading unit conversion factor, billing-demand information, and "estimated" indicator for non-actual meter reads.

f. Previous bill amount or account balance, payments received since previous billing, balance forward, current charges, total amount due or current account balance, and ~~budget billing~~ payment plan information.

g. For consolidated bills, billing party and nonbilling party elements as specified in subdivision 8 f of this subsection.

J. The local distribution company shall comply with the following additional billing information standards applicable to the bills of customers that are not subject to demand-based billing charges and that purchase regulated electricity supply service or regulated natural gas supply service from the local distribution company:

1. The local distribution company shall employ standard terminology and categorize charges for the following key billing components: (i) distribution service; (ii) electricity supply service or natural gas supply service; (iii) state and local consumption tax; and (iv) local (or locality name) utility tax. Brief explanations of distribution service and electricity supply service or natural gas supply service shall be presented on the bill. Such explanations shall convey that distribution service is a regulated service that must be purchased from the local distribution company and that electricity supply service or natural gas supply service may be purchased from the competitive market but, if applicable, may result in a competitive transition charge.

2. The local distribution company shall provide on customer bills a customer's monthly energy consumption, numerically or graphically, for the previous 12 months; and

3. The investor-owned electric local distribution company shall provide on each bill a "price-to-compare" value, stated in cents per kilowatt-hour, representing the cost of regulated electricity supply service less the competitive transition charge, if any, that would be applicable if such service were purchased from a competitive service provider. The appropriate use and limitations of such "price-to-compare" value shall be stated on the bill.

K. The local distribution company shall develop and implement a program to provide “price-to-compare” information and assistance to customers. The local distribution company shall provide a program plan to the State Corporation Commission's Division of Energy Regulation at least 90 days prior to the implementation of full or phased-in retail access. Such a program shall ensure that customers will be provided meaningful information for evaluating competitive offers of electricity supply service or natural gas supply service. At a minimum, the program shall include a mechanism for providing, or making readily accessible, customer-specific "price-to-compare" information, including explanations of its appropriate use and limitations and, if applicable, the relationship between the regulated electricity supply charge, the competitive transition charge, and the "price-to-compare."

L. The ~~local distribution company~~ billing party shall, except as otherwise arranged through contractual agreement ~~between the local distribution company and a competitive service provider~~ with the nonbilling party, provide sufficient space on a consolidated bill to accommodate ~~a competitive service provider's~~ the local distribution company's customer account number and the nonbilling party's name and toll-free telephone number, previous bill amount or account balance, payments applied since the previous billing, balance forward, total current charges, total amount due or current account balance, six additional numeric fields to detail current charges, and 240 additional text characters.

M. ~~The~~ If the local distribution company, as the billing party, provides consolidated billing service to a customer and continues to be the customer's billing party after the customer's service with a competitive service provider terminates, the local distribution company shall, except as otherwise arranged through contractual agreement ~~between the local distribution company and a~~ with such competitive service provider, continue to track and bill customer account arrearages owed to ~~former~~ such competitive service provider~~s~~ for two billing cycles after service has terminated. The bill shall list, at a minimum, the name, toll-free telephone number, and balance due for each former competitive service provider.

N. If the current charges of ~~a competitive service provider~~ the nonbilling party are not included on the consolidated bill issued by the ~~local distribution company~~ billing party, the bill shall note that such charges are not included.

O. If the current charges of ~~a competitive service provider~~ the nonbilling party are not included on the consolidated bill issued by the ~~local distribution company~~ billing party due to causes attributable to the ~~competitive service provider~~ nonbilling party, the charges shall be billed in the following month unless the two parties mutually agree to other arrangements.

P. If the current charges of ~~a competitive service provider~~ the nonbilling party are not included on the consolidated bill issued by the ~~local distribution company~~ billing party due to causes attributable to the ~~local distribution company~~ billing party, the bill shall be cancelled and reissued to include such charges unless the two parties mutually agree to other arrangements.

Q. The local distribution company or a competitive service provider shall report any significant deficiency regarding the timely issuance, accuracy, or completeness of customer bills to the State Corporation Commission's Division of Energy Regulation as soon as practicable. Such reports shall detail the circumstances surrounding the deficiency and the planned corrective actions.

Virginia Competitive Service Provider Consolidated Billing Work Group
Local Distribution Company Subgroup
April 30, 2002

By Order Establishing Proceedings dated May 15, 2001, the Virginia State Corporation Commission (the "Commission") created, under the auspices of the Commission Staff, the Virginia Competitive Service Provider ("CSP") Consolidated Billing Work Group. (Case No. PUE010297, *Ex Parte: In the matter of establishing rules and regulations pursuant to the Virginia Electric Utility Restructuring Act for consolidated billing services*).

To date, there has been very little participation in the CSP Consolidated Billing Work Group by interested CSPs. Only the New Power Company and Dominion Retail have participated in the work group meetings. Dominion Retail has advised the Work Group that it does not support CSP Consolidated Billing in the Commonwealth and the New Power Company is no longer attending the Work Group meetings. The absence of active participation by interested CSPs makes it extremely difficult to develop effective rules. This is not unexpected, however, based on activity in other states that have attempted to promulgate rules for and implement the provision of CSP Consolidated Billing.

In Pennsylvania, an equivalent work group spent approximately nine (9) months on developing rules for Electric Generation Supplier ("EGS") Consolidated Billing. Four (4) EGSs participated in the work group. One of the largest Electric Distribution Companies ("EDC") in Pennsylvania developed the required process and systems to implement EGS Consolidated Billing two years ago at a cost of millions of dollars and considerable man-hours. Another Pennsylvania EDC developed the required infrastructure and was prepared to test in the fall of 2000. At the request of the EGS, testing was deferred until January 2001; however, the EGS went out of business prior to initiating testing. To date no EGS has requested support from any EDC in Pennsylvania for EGS Consolidated Billing.

The situation is very similar in Maryland. In the Report from the Generic Technical Implementation Working Group report on the Business Processes and Electric Transactions for Metering, Billing, and Collection under Electric Choice (Case 8738), identified that many of the issues remained unresolved, and recommended an interim approach to be used for a limited number of Commercial and Industrial customers. The Maryland approach is utility specific, and is similar in concept to the recommendation being made in Virginia.

Therefore, Virginia’s investor-owned electric utilities offer the attached Electric Local Distribution Company Plan for Competitive Service Provider Consolidated Billing for consideration by the Virginia CSP Consolidated Work Group. All of Virginia’s investor-owned LDCs support this Plan, however, AEP-Virginia currently supports CSP consolidated billing in other jurisdictions, such as Texas, and currently plans to develop full EDI implementation which will have applicability to Virginia (consistent with SCC rules), as well as other state jurisdictions.

ELECTRIC LOCAL DISTRIBUTION COMPANY PLAN FOR COMPETITIVE SERVICE PROVIDER CONSOLIDATED BILLING

- **The Electric Local Distribution Company Plan for CSP Consolidated Billing**

This Electric Local Distribution Company Plan for CSP Consolidated Billing (the "LDC Plan") is presented to the CSP Consolidated Billing Work Group as the cost-justified plan for the provision of CSP Consolidated Billing services in "Today's World" and consists of certain workarounds, on a utility-by-utility basis, for providing such services. It is presumed that the LDC Plan will result in Rules Governing CSP Consolidated Billing being adopted consistent with the intent of the LDC Plan. If at any time, the "Adopted Rules" become less than cost justified, any party with active customers receiving CSP Consolidated Billing in the Commonwealth, the Division of Consumer Counsel, Office of the Attorney General, or the Commission Staff, may request that the CSP Consolidated Billing Work Group be reconvened and the establishment of electronic standards be revisited.

- **Basic Assumptions**

Normal Billing and Collection Processes: The LDCs normal billing and collection processes will continue as they are today. In its proposed rules presented for discussion at the March 19, 2002 Work Group meeting, the Staff proposed a new rule 20 VAC 5-312-90 C 5. The LDCs strongly support this new proposed rule as the basis for the LDC Plan.

Collection and Remittance of Taxes: Virginia Code sections 58.1-2901 and 58.1-314 (by reference to § 58.1-2901) are very specific and mandate that the provider of billing services is responsible for the collection and remittance of the Consumption Tax and the Local Utility Tax by adding the taxes as separate charges to the consumers' monthly statement. Therefore, the LDCs believe it would be inappropriate for them to calculate, collect or remit such taxes. The LDCs, on a utility-by-utility basis will need to develop the appropriate changes to their respective billing systems to bypass the tax calculation for any customer selecting the CSP Consolidated Billing option.

- **CSP Consolidated Billing**

The LDCs will accept enrollments for CSP Consolidated Billing using the VAEDT 814 Enrollment transaction. The accounts of customers selecting CSP Consolidated Billing will be coded in the LDC customer information systems. The LDC will send out the VAEDT 867 Monthly Usage (867 MU) and/or VAEDT 867 Interval Usage (867 IU) transaction(s) as they currently do under Separate ("Dual") Billing and LDC Consolidated Billing. The LDC account will bill with LDC charges only. Additionally, the LDCs are willing to accommodate CSP Consolidated billing using non-VAEDT electronic transactions (bill image files or portable document format (PDF) files). Further, the LDCs are willing to provide such files using Email, U.S. Mail or facsimile. These options are not meant to be all-inclusive or limiting but will be mutually agreed to by the individual LDCs and CSPs.

- **CSP Payments to the LDC**

Some of the LDCs would prefer that the CSP use the 820 Remittance transaction currently used by customers (this is not the VAEDT 820 transaction) for submitting payments; other LDCs do not propose using EDI for remitting payments. This decision will be made on a utility-by-utility basis. If an LDC decides not to use EDI or the use of EDI is not feasible, the LDCs will discuss alternative payment methods with the CSP. Such alternative payment arrangements would include some of the current payment processes available to customers, the obvious being a check.

- **Receipt of payment by LDC**

If not designated by the customers, payments received will be applied to LDC charges until the customer designates payment or requests a refund.

- **Disconnection Process**

The LDCs will be required to send a separate disconnection notice to any customer receiving CSP Consolidated Billing. No other exceptions are anticipated to the LDC disconnection process.

- **Billing Service Agreement**

The LDCs do not propose, at this time, a uniform Billing Service Agreement, but rather recommend separate billing agreements.

- **Creditworthiness**

The amount of financial security required from a CSP to safeguard the LDC and its customers from the reasonably expected net financial impact due to the non-performance of the CSP would have to be increased if the CSP is doing the billing. There are now two separate liabilities with which to be concerned. First, is the cost of any replacement power that the LDC would need to procure in the event the CSP failed to deliver. Second, is the issue of outstanding CSP payments to the LDC. The Rules Governing Retail Access to Competitive Energy Services (20 VAC 5-312-50 D) should remain unchanged, however, the creditworthiness section of each LDCs CSP Coordination Tariff would need to be revisited. Additionally, the Commission will most likely need to reconsider this issue as well, due to the increased liability to the state since the CSP will be collecting and remitting taxes.

- **Billing Credits**

There will be no billing credits associated with the LDC Plan for CSP Consolidated Billing unless it can be demonstrated that avoided costs exist as a result of implementing the LDC Plan.

- **Cost Recovery**

The LDCs reserve the right to request recovery of the development cost of implementing CSP Consolidated Billing consistent with Virginia Code § 56-581.1 H.

- **Costs Associated with the LDC Plan**

The LDCs estimate that implementing "full EDI" CSP Consolidated Billing for the Commonwealth's investor-owned utilities will cost an estimated $12.6 million. Individual LDC estimates range from $1.75 million to $4.0 million. Conversely, implementing the LDC Plan will cost approximately $1.31 million. This estimate is for four of the five investor-owned utilities. Individual estimates range from $160,000 to $600,000. As previously noted, AEP currently plans to develop full EDI implementation that will be applicable to Virginia.

CSP Consolidated Billing Work Group Registrants

American Electric Power
Allegheny Energy Supply Company, LLC
Allegheny Energy
Allegheny Power
AES New Energy, Inc.
Christian & Barton, LLP
Columbia Gas of Virginia
Conectiv
Dominion Retail, Inc.
Dominion Virginia Power
e-SBiz, div of Sengen
Exolink Corp.
Energy Consultants, Inc.
Fairfax County
Hunton & Williams
Itron, Inc.
Kentucky Utilities
LeClairRyan
LG&E
Mecklenburg Electric Cooperative
McGuire Woods LLP
NCS Pearson
Northern Virginia Electric Cooperative
Office of the Attorney General
Old Dominion Electric Cooperative
Old Mill Power Company
Rappahannock Electric Cooperative
The New Power Company
Viterra Energy Services
Virginia Association of Counties
Virginia-Maryland-Delaware Association of Cooperatives
Virginia Municipal League
Virginia Natural Gas, Inc
Washington Gas
Williams Mullen LLP
Woods, Rogers & Hazlegrove LLP